

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

At the direction of the President, I am pleased to notify the Congress that the President intends to initiate negotiations for a free trade agreement (FTA) with the five member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, hereinafter "Central America") 90 days from the date of this letter. This notification is in accordance with section 2104(a)(1) of the Trade Act of 2002. It is crucial that we move forward on this and other trade agreements in order to restore America's leadership on trade.

The Administration is committed to bringing back trade agreements that open markets to benefit our farmers, workers, businesses, and families. With the Congress' continued help, we can move promptly to advance America's trade interests.

In my letter of August 22, 2002, to the Congressional leadership and trade committees, I outlined the reasons that it is in the United States' interest to pursue a free trade agreement with Central America. An FTA will help foster economic growth and create higher paying jobs in the United States by reducing and eliminating barriers to trade and investment between Central America and the United States. An FTA negotiation will also enable us to address market access impediments in Central America, including high tariffs on agricultural goods, unjustified use of sanitary and phytosanitary measures, restrictive licensing practices, inadequate protection of intellectual property rights, and limitation on access by service providers.

Furthermore, an FTA will allow us to build on the success of the Caribbean Basin Initiative (CBI). Since 1985, the U.S. trade relationship with Central America has been driven by U.S. unilateral trade preferences through the CBI. CBI has contributed to economic development and helped to alleviate poverty in the region. By moving from unilateral trade preferences to a reciprocal FTA, we will build on the success of the CBI, expanding U.S. access to Central American markets as well as advancing Central American economic development through trade. In this way, we will underpin our support for democracy and fundamental values, such as respect for internationally recognized worker rights and the elimination of the worst forms of child labor. An FTA will promote stronger economies, greater respect for the rule of law, sustainable development, and accountable institutions of governance. Finally, an FTA would lend momentum to concluding the Free Trade Area of the Americas negotiations by January 2005.

In pursuing an FTA with Central America, we are responding to Congress' direction, as expressed in the Caribbean Basin Trade Partnership Act, to initiate negotiations with beneficiary countries and conclude comprehensive, mutually advantageous trade agreements with them.

Initial consultations with Members of Congress regarding an FTA with Central America have been positive, and we believe that there is broad bipartisan interest in such an agreement. The Administration will continue to consult closely with the Congress, including the new Congressional Oversight Group.

Our specific objectives for negotiations with Central America are as follows:

- *Trade in Goods:*
 - Seek to eliminate tariffs and other duties and charges on trade between Central America and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.
 - Seek to eliminate non-tariff barriers in Central America to U.S. exports, including licensing barriers on agricultural products, restrictive administration of tariff-rate quotas, unjustified trade restrictions that affect new U.S. technologies, and other trade restrictive measures that U.S. exporters identify.
 - Seek to eliminate Central American government practices that adversely affect U.S. exports of perishable or cyclical agricultural products, while improving U.S. import relief mechanisms as appropriate.
 - Pursue a mechanism with Central America that will support achieving the U.S. objective in the WTO negotiations of eliminating all export subsidies on agricultural products, and in the FTAA negotiations of eliminating agricultural export subsidies on trade in the Hemisphere, while maintaining the right to provide *bona fide* food aid and preserving U.S. agricultural market development and export credit programs.
 - Pursue fully reciprocal access to the Central American market for U.S. textile and apparel products.
- *Customs Matters, Rules of Origin and Enforcement Cooperation:*
 - Seek rules to require that Central American customs operations are conducted with transparency, efficiency, and predictability and that customs laws, regulations, decisions, and rulings are not applied in a manner that would create unwarranted procedural obstacles to international trade.

- Seek rules of origin, procedures for applying these rules, and provisions to address circumvention matters that will ensure that preferential duty rates under the FTA with Central America apply only to goods eligible to receive such treatment, without creating unnecessary obstacles to trade.
- Seek terms for cooperative efforts with Central American governments regarding enforcement of customs and related issues, including trade in textiles and apparel.
- *Sanitary and Phytosanitary (SPS) Measures:*
 - Seek to have the Central American countries reaffirm their WTO commitments on SPS measures and eliminate any unjustified SPS restrictions.
 - Seek to strengthen collaboration with Central American governments in implementing the WTO SPS Agreement and to enhance cooperation with those governments in relevant international bodies on developing international SPS standards, guidelines, and recommendations.
- *Technical Barriers to Trade (TBT):*
 - Seek to have the Central American countries reaffirm their WTO TBT commitments and eliminate any unjustified TBT measures.
 - Seek to strengthen collaboration with Central American governments on implementation of the WTO TBT Agreement and create a procedure for exchanging information with the Central American countries on TBT-related issues.
- *Intellectual Property Rights:*
 - Seek to establish standards to be applied in Central America that build on the foundations established in the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPs Agreement) and other international intellectual property agreements, such as the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty and the Patent Cooperation Treaty.
 - In areas such as patent protection and protection of undisclosed information, seek to have the Central American countries apply levels of protection and practices more in line with U.S. law and practices, including appropriate flexibility.
 - Seek to strengthen the Central American governments' procedures to enforce intellectual property rights, such as by ensuring that Central American authorities

seize suspected pirated and counterfeit goods, equipment used to make such goods or to transmit pirated goods, and documentary evidence. Seek to strengthen measures in Central America that provide for compensation of right holders for infringements of intellectual property rights and to provide for criminal penalties under Central American law that are sufficient to have a deterrent effect on piracy and counterfeiting.

- *Trade in Services:*

- Pursue disciplines to address discriminatory and other barriers to trade in Central America's services markets. Pursue a comprehensive approach to market access, including any necessary improvements in access to the telecommunications, financial services, energy and other sectors.
- Seek improved transparency and predictability of Central American regulatory procedure, specialized disciplines for financial services and additional disciplines on Central American measures governing telecommunication services and other sectors as necessary.
- Seek appropriate provisions to ensure that the Central American countries will facilitate the temporary entry of U.S. business persons into their territories, while ensuring that any commitments by the United States are limited to temporary entry provisions and do not require any changes to U.S. laws and regulations relating to permanent immigration and permanent employment rights.

- *Investment:*

- Seek to establish rules that reduce or eliminate artificial or trade-distorting barriers to U.S. investment in Central America, while ensuring that Central American investors in the United States are not accorded greater substantive rights with respect to investment protections than U.S. investors in the United States, and to secure for U.S. investors in Central America important rights comparable to those that would be available under U.S. legal principles and practice.
- Seek to ensure that U.S. investors receive treatment as favorable as that accorded to domestic or other foreign investors in Central America and to address unjustified barriers to the establishment and operation of U.S. investments in Central America. Provide procedures to resolve disputes between U.S. investors and the governments of the Central American countries that are in keeping with the trade promotion authority goals of being expeditious, fair and transparent.

- *Electronic Commerce:*

- Seek to affirm that Central American countries will allow U.S. goods and services to be delivered electronically to their markets and to ensure that they do not apply customs duties to digital products or unjustifiably discriminate among products delivered electronically.
- *Government Procurement:*
 - Seek to establish rules requiring government procurement procedures and practices in Central America to be fair, transparent, and predictable for suppliers of U.S. goods and services who seek to do business with the Central American governments.
 - Seek to expand access for U.S. goods and services to Central American government procurement markets.
- *Transparency/Anti-Corruption/Regulatory Reform:*
 - Seek to make the Central American countries' administration of their trade regimes more transparent, and pursue rules that will permit timely and meaningful public comment before the Central American governments adopt trade-related measures.
 - Seek to ensure that the Central American countries apply high standards prohibiting corrupt practices affecting international trade and enforce such prohibitions.
- *Trade Remedies:*
 - Provide a bilateral safeguard mechanism during the transition period to allow a temporary revocation of tariff preferences if increased imports from one or more Central American countries are a substantial cause of serious injury, or threat of serious injury, to a domestic industry.
 - Make no changes in U.S. antidumping and countervailing duty laws.
- *Environment:*
 - Seek to promote trade and environment policies that are mutually supportive.
 - Seek an appropriate commitment by the Central American countries to the effective enforcement of their environmental laws.

- Establish that the Central American countries will strive to ensure that they will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in their environmental laws.
- Help the Central American countries strengthen their capacity to protect the environment through the promotion of sustainable development, such as by establishing consultative mechanisms.
- *Labor, including Child Labor:*
 - Seek an appropriate commitment by the Central American countries to effectively enforce their labor laws.
 - Establish that the Central American countries will strive to ensure that they will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in their labor laws.
 - Based upon review and analysis of their labor law and practices, establish procedures for consultations and cooperative activities with the Central American countries to strengthen their capacity to promote respect for core labor standards, including compliance with ILO Convention 182 on the worst forms of child labor, building on technical assistance programs administered by the U.S. Department of Labor.
- *State-to-State Dispute Settlement:*
 - Encourage the early identification and settlement of disputes through consultation.
 - Seek to establish fair, transparent, timely, and effective procedures to settle disputes arising under the agreement.

In addition, the FTA will take into account other legitimate U.S. objectives including, but not limited to, the protection of legitimate health or safety, essential security, and consumer interests.

We are committed to concluding these negotiations with timely and substantive results for U.S. workers, ranchers, farmers, businesses, and families, by pursuing these specific objectives and the overall and principal U.S. negotiating objectives and priorities set out in the TPA Act. We look forward to continuing to work with the Congress over the coming weeks and after negotiations with Central America begin.

Working together we can reach a successful conclusion that will benefit the United States and Central America and support our broader objectives.

Sincerely,

Robert B. Zoellick